

Kasikornbank

Type of Engagement: Annual Review

Date: 12 December 2024

Engagement Team:

Vipula Pandita, vipula.pandita@morningstar.com

Anjansingh Bist, anjansingh.bist@morningstar.com

Introduction

In December 2022, Kasikornbank (“KBank” or the “Issuer”) issued three sustainability bonds (collectively, the “Sustainability Bonds”)¹ and raised USD 84 million to finance or refinance projects related to renewable energy, green buildings and employment generation. In December 2024, KBank engaged Sustainalytics to review the projects financed with proceeds from the Sustainability Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether KBank complied with the reporting commitments in the KBank Sustainability Bond Framework (the “Framework”).² Sustainalytics provided a Second-Party Opinion on the Framework in June 2020.³ This is Sustainalytics’ sixth annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in December 2023, December 2022, December 2021, November 2020 and October 2019.^{4,5,6,7,8}

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and KBank’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Financing for renewable energy projects, including the production and transmission of renewable energy, and the manufacture of renewable energy appliances and products. Solar energy, biomass, biogas and waste to energy projects can be included. For biomass energy, only the projects that meet the criteria below will be included: Projects involving crops not grown in areas converted from land with	Renewable energy generated (kWh)

¹ KBank issued three sustainability bonds of USD 19 million, USD 20 million, and USD 45 million in December 2022 with maturity dates of 20 January 2025, 11 December 2025, and 15 December 2025, respectively.

² KBank, “KBank Sustainability Bond Framework”, (2020), at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank_Sustainability%20Bond%20Framework_June2020.pdf

³ Sustainalytics, “Second-Party Opinion, KBank Sustainability Bond Framework”, (2020), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kasikornbank-sustainability-bond-framework-second-party-opinion.pdf>

⁴ Sustainalytics, “Annual Review”, Kasikornbank”, (2021), at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondReport/Second_Party_Opinion_2021.pdf

⁵ Sustainalytics, “Annual Review, Kasikornbank.”, (2020), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kasikornbank-sustainability-bond-annual-review.pdf>

⁶ Sustainalytics, “Annual Review, Kasikornbank”, (2019), at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondReport/Second_PartyOpinion_forAllocation_AndImpact_Report_2019.pdf

⁷ Sustainalytics, “Annual Review, Kasikornbank.”, (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kasikornbank-annual-review_final.pdf

⁸ Sustainalytics, “Annual Review, Kasikornbank.”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kasikornbank-sustainability-bond-annual-review-\(2023\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/kasikornbank-sustainability-bond-annual-review-(2023).pdf)

	previously high carbon stock such as wetlands or forests; Projects not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands not suitable for human consumption.	
Green Buildings	Purchasing, construction or retrofitting buildings that meet national or international green building standards, such as TREES (Silver and above), LEED (Silver and above), BREEAM (Good and above) and DGNB (Silver and above).	Number of buildings and building certifications
Employment Generation	Supporting Small and Medium Enterprises (SMEs)⁹ Loans given to SMEs, including, but not limited to, through the following loan programmes: - Special Rate Overdraft for SME payroll programme. The programme aims to increase the liquidity of KBank's SME payroll clients by offering customers an opportunity to lower cost of funding for their payroll payments. - Overdraft or Loan programme for SMEs. The programme will help entrepreneurs by providing a credit limit that is higher than their collateral, within the maximum credit limit of THB 5 million. - Franchise Credit programme. This loan programme is for entrepreneurs, who want to start new franchise businesses. This programme will select customers from their future cash flow and require no or less collateral than usual loan programme. - Overdraft programme for SME retail shops, for which the credit limit is less than THB 3 million. The programme is for SME retail shop owners who need working capital to operate their businesses but do not have collateral. The programme aims to offer customers easier access to financial support that helps them maintain the smooth operation of their business and create value for SME retailers. The maximum overdraft limit is THB 1 million.	Number of SMEs, projects, farmers that benefitted

⁹ SMEs is defined as an individual or company with annual sales does not exceed Baht 400 million.

Issuer's Responsibility

KBank is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from KBank's Sustainability Bonds. The work undertaken as part of this engagement included the collection of documentation from KBank and review of that documentation to assess its conformance with the Framework.

Sustainalytics relied on the information and the facts presented by KBank. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by KBank.

Sustainalytics made all efforts to ensure the highest quality and rigour during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,¹⁰ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. KBank has disclosed to Sustainalytics that the proceeds from the Sustainability Bonds were fully allocated as of September 2024.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	KBank reported on at least one KPI per use of proceeds category.	None

¹⁰ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation of proceeds for the eligible projects

Use of Proceeds Category	Project Description	Location	Amount Allocated (USD million)
Renewable Energy	39 MW solar energy project	Cambodia	7.89
	139 MW solar energy project	Sa Kaeo, Phichit, Prachuap Khiri Khan, Lopburi, Thailand	25.92
Green Buildings	Green Building project	Samutprakarn, Thailand	13.01
Employment Generation	Franchise Credit programme	Thailand	5.99
	Overdraft programme for SME retail shops		31.19
Total Amount Allocated			84.00
Total Proceeds Unallocated			0.00
Total Proceeds Raised			84.00

Appendix 2: Reported Impact

Table 4: Reported impact for the Sustainability Bonds

Use of Proceeds Category	Project Description	Location	Reported Impact
Renewable Energy	39 MW solar energy project	Cambodia	62 million kWh generated
	139 MW solar energy project	Sa Kaeo, Phichit, Prachuap Khiri Khan, Lopburi, Thailand	194 million kWh generated
Green Buildings	Green building project	Samutprakarn, Thailand	LEED Home Certificate-Silver
Employment Generation	Franchise Credit programme	Thailand	68 beneficiaries
	Overdraft programme for SME retail shops		1,721 beneficiaries

Disclaimer

Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein (the “Information”) are proprietary to Sustainalytics and/or its third-party content providers and may be made available to third parties only in the form and format disclosed by Sustainalytics. The Information is not directed to, nor intended for distribution to or use by India-based clients and/or users, and the distribution of Information to India resident individuals and entities is not permitted.

The Information is provided for informational purposes only and (1) does not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) does not constitute investment advice nor recommends any particular investment, nor represents an expert opinion or negative assurance letter; (3) is not part of any offering and does not constitute an offer or indication to buy or sell securities, to select a project nor enter into any kind of business transaction; (4) is not an assessment of the economic performance, financial obligations nor creditworthiness of any entity; (5) is not a substitute for professional advice; (6) has not been submitted to, nor received approval from, any relevant regulatory or governmental authority. Past performance is no guarantee of future results.

The Information is based on information made available by third parties, is subject to continuous change and no warranty is made as to its completeness, accuracy, currency, nor the fitness of the Information for a particular purpose. The Information is provided “as is” and reflects Sustainalytics’ opinion solely at the date of its publication.

Neither Sustainalytics nor its third-party content providers accept any liability in connection with the use of the Information or for actions of third parties with respect to the Information, in any manner whatsoever, to the extent permitted by applicable law.

Any reference to third party content providers’ names is solely to acknowledge their ownership of information, methodologies, data and opinions contained or reflected within the Information and does not constitute a sponsorship or endorsement of the Information by such third-party content provider. For more information regarding third-party content providers visit <http://www.sustainalytics.com/legal-disclaimers>

Sustainalytics may receive compensation for its ratings, opinions and other services, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics maintains measures designed to safeguard the objectivity and independence of its opinions. For more information visit [Governance Documents](#) or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.

